App. F. IX-4

192 8. 9

File No. 47-28

Previous References (Geol)

Geol. 15-2-26

Serial Nos.

Later References

~~Dest~~ preserve

8/11/43

General and Revenue Secretariat.

~~*Serial* Nos.~~ Notes

Part B for

SUBJECT

Proposals ~~for the~~ levy of additional taxes on Petrol in connection with the development of roads

General and Revenue Secretariat. Revenue File No of 1928

Serial No.

Fair draft submitted for favour of remarks.

FINANCIAL 10 SEP. 1928 No. 1687

First Member)

Third Member)

DEVELOPMENT 2290

Dewan)

DEWAN'S OFFICE 14 SEP 1928 No. 1493.

Please put up for signature

GENERAL SECRETARIAT 22 SEP. 1928 DEVELOPMENT BRANCH

NOTE.—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28

Do 169 d. 17.9.28.
Jud. 47-428-1

My Dear Mr Crump

May I ~~wish to~~ write to you on a matter of obvious and urgent importance -the necessity for providing more funds for the maintenance and - extension of motorable roads. It is only equitable that this fund should come from people who derive most benefit from the maintenance of - these roads, and whose use of the roads contributes most largely to their deterioration. In view of the pressing necessity for more funds, a number of new toll-gates were recently opened but it may be generally stated that the financial expedients hitherto adopted, particularly the toll-gates, have proved vexatious and unsatisfactory, and there has been a strong and sustained popular demand for their abolition, as far as possible. In regard to motor traffic, the Indian Taxation Enquiry Committee has recommended that tolls should be abolished and a provincial tax substituted in its place. The ideal, of course, would be the simplification of the entire system by the abolition of the several miscellaneous levies now in vogue, whether provincial, or by local bodies, and the substitution in their place, of a uniform tax easy to realise, and equitable in distribution.

2 This question will have to be considered sooner or later; but what is proposed immediately is only to abolish the newly established - toll-gates, as far as possible, and to levy instead, a uniform tax which would fall on

motor vehicles, as nearly as possible in the proportion of the use they make of the road. The present time is peculiarly propitious for the imposition of a tax on motor vehicles, since owing to the substantial reduction of the import duty on cars, and the fall in the price of petrol, there has been an appreciable diminution both in the initial cost and running charges of motor vehicles.

3 There can be no question that a surcharge on petrol is the most convenient form this tax could take; for it would not only make the levy bear a relation to the use made of the roads, but has the further advantage of being easily collected by arrangement with the importing agents, who could instruct their sub-agents and vendors to add it on as part of the price at which petrol is sold to their customers The present combine between the Shell and the B.O.C. concerns will facilitate the arrangement appreciably.

4 The total quantity of petrol imported into the State at present is about 700,000 gallons, and it is proposed to fix the surcharge at Re.0-2-0 on every gallon sold. The substitution of this system will probably entail some loss of revenue to the Mysore Government; but this has to be faced in view of the simplification of procedure, and the relief that would result from the abolition of the toll-gates.

5. A scheme like the foregoing obviously depends for its success on the co-operation of the Civil and Military Station. I address you in the confidence that we shall have your concurrence and active assistance. The co-operation required is that the Civil and Military Station should accept the principle of a surcharge on petrol. If you are agreeable, the Mysore State will accept the responsibility of collecting the sur-charge on petrol consumed within the State, including the C. & M. Station area, and make over to the authorities of the C. & M. Station a fourth of the realisations on the petrol consumed within the limits of the assigned tract, that is to say, 0-0-6 on every gallon of petrol consumed in that area, the C. & M. Station share of the revenue being fixed on the basis of actual sales within the assigned area.

6. I understand that the Indian Road Committee are recommending a sur-charge on petrol leviable over the whole of India, the realisation from which is to be distributed among the provinces in the ratio of their consumption of petrol; and if this measure should materialise, the Mysore State will be prepared to consider the expediency of falling into line with the rest of India. The proposals indicated in the present letter merely contemplate an interim measure calculated to terminate a vexatious system, and the trial in its stead, of a simpler and more equitable one. I venture to think that

the experience we shall gain of the effects of the substitution may not be devoid of interest and utility to the rest of India in coming to a decision on the proposals of the Road Committee.

I request that you will kindly consider the above proposals, and let me have an assurance of your co-operation.

Yours sincerely,

6 9 28

DEWAN'S OFFICE
Received on
7. SEP. 1928
Reg. No. 1343

I wish to write to you on a matter of obvious and urgent importance -the necessity for creating a fund for the maintenance and extension of motorable roads. It is only - equitable that this fund should come from people who derive most benefit from the maintenance of these roads, and whose use of the roads contributes most largely to their deterioration. In view of the pressing necessity for funds, a number of toll-gates were recently instituted and have been in operation for some time; but it may be generally stated that the financial expedients hitherto adopted (such as municipal taxation, registration and permit fees and tolls) have proved vexatious and unsatisfactory, and there has been a strong and sustained popular demand for their abolition, as far as possible.
In regard to motor traffic, the Indian Taxation Enquiry Committee has recommended that tolls should be abolished and a provincial tax substituted in its place. The ideal, of course would be the simplification of the entire system by the abolition of the several miscellaneous levies now in vogue, whether provincial, or by local bodies, and the - substitution in their place, of a uniform tax easy to realise, and equitable in distribution. (This would, however, involve the question of compensation to the local bodies

which are now deriving a revenue from the sources to be abolished, and the pitch of the substituted tax would have to be fixed so as to yield a realisation large enough to cover this commitment.

This question will have to be considered sooner or later; but what is proposed immediately is only to abolish the newly established toll-gates and to levy instead, a uniform tax which would fall on motor vehicles, as nearly as possible in the proportion of the use they make of the road. The present time is peculiarly propitious for the imposition of a tax on motor vehicles, since owing to the substantial reduction of the import duty on cars, and the fall in the price of petrol, there has been an appreciable diminution both in the initial cost and running charges of motor vehicles.

In regard to the form of the tax, two alternatives suggest themselves:- (1) A direct tax on motor vehicles, and (2) a duty on petrol, levied as a sur-charge added on to the selling price. The balance of advantage is greatly in favour of the latter course, which would automatically make the levy bear some proportion to the use of the roads. A direct tax on vehicles would render differentiation impossible between vehicles of which comparatively little use is made, and those which are in constant employment, and are therefore materially responsible for the wear of the

roads; and this would be rather inequitable in the case of a tax primarily intended as a fund for road maintenance.)

In regard to the form of the tax, there can be no question that a surcharge on petrol is the most convenient form in which this tax could be levied, take, for if not only makes the levy bear a fair relation to the use made of the roads, but has the further

A ~~sur-charge on petrol, besides being free from the objection indicated above, has~~ the advantage of being easily collected by arrangement with the importing agents, who could instruct their sub-agents and vendors to add it on as part of the price at which petrol is sold to their customers. The present combine between the Shell and the B.O.C. concerns will facilitate the arrangement - appreciably.

The total quantity of petrol imported into the State at present is about 700,000 gallons, and it is proposed to fix the surcharge at Re.0-2-0 on every gallon sold. The substitution of this system will probably entail some loss of revenue to the Mysore Government; but this has to be faced in view of the simplification of procedure, and the relief that would result from the abolition of the toll-gates

A scheme like the foregoing obviously depends for its success on the co-operation of the Civil and Military Station. I address you in the confidence that we shall have your concurrence and active assistance. The co-operation required is that the C. & M. Station should ~~fall into line with us in the abolition of tolls, and~~ accept the principle of a sur-charge on petrol in lieu of a direct tax

~~on motor vehicles~~. If you are agreeable, the Mysore State will accept the responsibility of collecting the sur-charge on petrol consumed within the State, including the C. & M. Station area, and make over to the authorities of the C. & M. Station a fourth of the realisations on the petrol consumed within the limits of the assigned ~~area~~ tract, that is to say, 0-0-6 on every gallon of petrol consumed ~~there~~ in that area. The C. & M. Station share of the revenue ~~may be~~ either being fixed on the basis of actual sales within the assigned area to C. & M. Station residents, or at a lump-sum calculated on the average actual realisations during the past few years -say three or five.)

I understand that the Indian Road Committee are recommending a sur-charge on petrol leviable over the whole of India, the realisation from which to be distributed among the provinces in the ratio of their consumption of petrol; and if this measure should materialise, the Mysore State will be prepared to consider the expediency of falling into line with the rest of India. The proposals indicated in the present letter merely contemplate an interim measure calculated to terminate a vexatious system, and the trial ~~try~~ in its stead of a simpler and more equitable one. I venture to think that the experience we shall gain of the effects of the substitution may not be devoid of interest and utility to the rest of India in coming to a decision on the proposals of the

Road Committee.

I request that you will kindly consider the above proposals, and let me have an assurance of your co-operation.

Yours sincerely,